

Message Text

UNCLASSIFIED

PAGE 01 LONDON 19373 01 OF 02 171523Z

53

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02

SS-15 USIA-15 DOTE-00 AID-05 EB-07 FRB-01 TRSE-00

XMB-04 OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 /110 W
----- 071177

P R 171506Z DEC 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 7514

INFO USDOC WASHDC

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

UNCLAS SECTION 01 OF 02 LONDON 19373

E.O. 11652: N/A

TAGS: EINV, BGEN, UK

SUBJECT: HMG ANNOUNCES CHRYSLER UK PACKAGE

REF: LONDON 19317

BEGIN SUMMARY

INDUSTRY STATE SECRETARY ERIC VARLEY ON SEPTEMBER 16
ANNOUNCED HMG PLANTS TO RESCUE CHRYSLER UK WHICH HAS
COMPILED HEAVY LOSS RECORD OVER PAST YEAR. PLANS IN-
CLUDE CUTTING THE CHRYSLER LABOR FORCE FROM 25000
TO 17000 EMPLOYEES AND FUNDING UP TO 162.5 MILLION
POUNDS, COMPRISING: MAXIMUM OF 72.5 MILLION POUNDS IN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 19373 01 OF 02 171523Z

LOSSES OVER THE NEXT FOUR YEARS; A 55 MILLION POUND

(WITH CHRYSLER AS CO-GUARANTOR) LOAN: AND A QUARANTEE OF A 35 MILLION MEDIUM TERM BANK LOAN. CHRYSLER WILL INVEST 10 TO 12 MILLION POUNDS AT RYTON (COVENTRY AREA) AND A POSSIBLE 23 MILLION POUNDS LATER. AIM OF CHRYSLER AND HMG IS FOR CHRYSLER //K TO PLAY "AN IMPORTANT AND EXPANDING ROLE" IN THE GROUO'S WORLD WIDE ACTIVITIES. HMG'S PARTICIPATION IN MANANEMENT WILL BE LIMITED TO 2 QOVERNMENT APOINTED DIRECTORS ON THE BOARD OF CHRYSLER U/K. THE AVENGER MODEL PRODUCTION WILL BE MOVED TO LINWOOD (GLASQOW AREA SCOTLAND) FROM RYTON, WHILE THE NEW FRENCH ALPINE MODEL KIT TO BE ASSEMBLED AT RYTON. END SUMMARY.

1. SINCE CHRYSLER UK'S FORMATION IN 1967 LOSSES THROUGH 1974 TOTALLED 80 MILLION POUNDS AND LOSSES IN 1975 WERE MOUNTING RAPIDLY CHRYSLER INITIALLY INFORMED HMG THAT IT INTENDED LIQUIDATE CHRYSLER UK THE END OF NOVEMBER.

2. IN INTENSIVE NEGOTIATIONS INVOLVING NUMEROUS LENGTHY MEETINGS BETWEEN SECRETARY VARLEY AND CHRYSLER PRESIDENT RICCARDO FOLLOWING AGREEMENT WAS HAMMERED OUT:

(A) PRODUCTION OF AVENGER MODEL MOVED FROM RYTON (COVENTRY AREA) TO LINWOOD (GLASGOW, SCOTLAND).

(B) EMPLOYMENT CUT BY ABOUT 8,000 (FROM 25,000 TO 17,000) WORKERS, INCLUDING 2,100 JOBS AT STOKE, 2,500 JOBS AT RYTON (BOTH COVENTRY AREA), 3,000 JOBS AT LINWOOD, 650 AT MAIDSTONE; LATTER TO BE PHASED OUT BY JUNE 30, REST IN FEBRUARY. 1,500 JOBS MAY BE REINSTATED AS AVENGER PRODUCTION PICKS UP AT LINWOOD LATER IN 1976.

3. THE GOVERNMENT HAS AGREED TO MEET A LOSS OF 40 MILLION POUNDS FORECAST FOR 1976. THEY ALSO AGREED TO MEET HALF OF ADDITIONAL LOSSES UP TO: 10 MILLION POUNDS NEXT YEAR; 10 MILLION POUNDS IN 1977; 7.5 MILLION POUNDS IN 1978; AND 5 MILLION POUNDS IN 1979.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 19373 01 OF 02 171523Z

THE TOTAL COMMITMENT IS TO PROVIDE UP TO 72.5 MILLION POUNDS OVER THE NEXT 4 YEARS.

4. CHRYSLER AND THE GOVERNMENT HAVE AGREED TO SHARE EQUALLY IN ANY PROFITS WHICH OCCURRED DURING THESE YEARS. NO HMG EQUITY INVOLVED.

5. THE GOVERNMENT HAS AGREED TO PROVIDE 55 MILLION

POUNDS LOAN TO FINANCE CAPITAL EXPENDITURE ON PLANT & MODEL DEVELOPMENT. THE RATE OF INTEREST WILL BE AT NO LESS THAN THE GOVERNMENT LENDING RATE. CHRYSLER CORPORATION HAS AGREED TO GUARANTEE THE FIRST HALF OF THIS AMOUNT, AMOUNTING TO 28 MILLION POUNDS.

6. IN ORDER TO SUBSTITUTE FOR AVENGER PRODUCTION, CHRYSLER WILL PROVIDE 10-12 MILLION POUNDS FOR THE FIRST STAGE PROGRAM TO ENABLE THE ALPINE MODEL TO BE ASSEMBLED AT PYTON PLANT FROM KITS IMPORTED FROM SIMCA IN FRANCE.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 19373 02 OF 02 171521Z

53

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02

SS-15 USIA-15 DOTE-00 AID-05 EB-07 FRB-01 TRSE-00

XMB-04 OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 /110 W

----- 071192

P R 171506Z DEC 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 7515

INFO USDOC WASHDC

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

UNCLAS SECTION 02 OF 02 LONDON 19373

PRODUCTION OF AVENGER KITS FOR IRAN, A CRUCIAL EXPORT ORDER, WILL BE MAINTAINED.

7. IN ORDER TO ASSIST CHRYSLER UK TO CONVERT ITS SHORT-TERM LIABILITIES INTO MEDIUM TERM FINANCE, HMG GUARANTEES 35 MILLION POUNDS MEDIUM TERM LOAN TO CHRYSLER UK, UNDER COUNTER-GUARANTEE OF CHRYSLER CORP.

8. CHRYSLER WILL LAUNCH A NEW SMALL CAR IN 1977, A LIGHT VAN/TRUAK IN 1978, AND WHAT IS DESCRIBED AS A "NEW LIGHT" CAR IN 1979. AIM IS FOR CHRYSLER UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 19373 02 OF 02 171521Z

TO HAVE A FIVE CAR LINE-UP BY 1979 WITH THE IMP AND HUNTER MODELS DISAPPEARING ALONG THE WAY.

9. MR. VARLEY SAID THAT THE MAXIMUM AMOUNT OF GOVERNMENT AID, 162.5 MILLION POUNDS, WOULD BE NEEDED ONLY IF EVERYTHING WENT WRONG AND CHRYSLER CORP. COULD NOT MEET COMMITMENTS DISCUSSED.

COMMENT: THE GOVERNMENT LAST NIGHT WON FIRST OF TWO CRUCIAL TESTS WHEN HOUSE DEFEATED CONSERVATIVE MOTION OF PROTEST BY 285 VOTES TO 260. SUPPORT OF 9-PERSON SCOTTISH NATIONALIST PARTY GROUP OFFSET ABSTENTION BY 12 LABOR MP'S MOSTLY OF THE "MODERATE MANIFESTO" GROUP WHO REGARD THE CHRYSLER PACKAGE AS OPPOSED TO THE NEW INDUSTRIAL STRATEGY OF BACKING WINNERS WHICH RESULTED FROM NEDC MEETING AT CHEQUERS LAST MONTH. A SECOND VOTE DUE THIS EVENING, SEEKING AUTHORIZATION FOR EXPENDITURE OF PUBLIC MONEY ON THE PACKAGE IS EXPECTED TO BE CLOSE.

SOURCES: SECRETARY VARLEY'S STATEMENT FINANCIAL TIMES AND THE PRESS SOURCES.

RICHARDSON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, BUSINESS LOSSES, FINANCIAL PROGRAMS, FINANCIAL AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON19373
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750438-0887
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751232/aaaabbyw.tel
Line Count: 211
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 LONDON 19317
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 21 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 AUG 2003 by ReddocGW>; APPROVED <13 JAN 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HMG ANNOUNCES CHRYSLER UK PACKAGE
TAGS: EINV, BGEN, ELAB, UK, CHRYSLER
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006